

LG.Philips LCD Co., Ltd.
Form 6-K
April 01, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of April 2005

LG.Philips LCD Co., Ltd.

(Translation of Registrant's name into English)

20 Yoido-dong, Youngdungpo-gu, Seoul 150-721, The Republic of Korea

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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YEARLY REPORT

(From January 1, 2004 to December 31, 2004)

THIS IS A TRANSLATION OF THE YEARLY REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SUPERVISORY COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A NON-CONSOLIDATED BASIS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN KOREA, OR KOREAN GAAP, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES

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1. Overview

A. Industry

(1) Industry characteristics and growth potential

- TFT-LCD technology is one of the most widely used technologies in the manufacture of flat panel displays and the demand for the flat panel displays is growing rapidly. There are high entry barriers due to its technology, capital-intensive characteristics, and the significant investments required to achieve economies of scale, among other factors. There is strong competition between a limited number of players within the industry and production capacity in the industry including ours is being continually increased.
- The demand for LCD panels for Notebook PC & Monitor has been closely related to the IT industry. The demand for LCD panels for TV is growing with the start of HDTV broadcasting and as LCD TV is anticipated to play a key role in the digital display area. In addition, LCD panel markets for applications, such as mobile phones, PDAs, medical applications and automobile navigation systems, among others, are growing steadily.
- The average selling prices of our display panels have declined in general and are expected to continually decline with time irrespective of industry-wide fluctuations as a result of, among other factors, technology advances and cost reductions.

(2) Cyclicalities

- The TFT-LCD business has high cyclicalities as a capital intensive business. In spite of the increase in demand for products, this industry has experienced periodic volatility caused by imbalances between demand and supply due to capacity expansion within the industry.
- Intense competition and demand growth expectations may result in panel manufacturers investing in manufacturing capacity on similar schedules, resulting in a surge in capacity when production is ramped up at new fabrication facilities.
- During such surges in capacity growth, our customers can exert and have exerted strong downward pricing pressure, resulting in sharp declines in average selling prices and significant fluctuations in our gross margins. Conversely, demand surges and fluctuations in the supply chain can lead to price increases.

(3) Competitiveness

- Our ability to compete successfully also depends on factors both within and outside our control, including product pricing, performance and reliability, successful and timely investment and product development, success or failure of our end-brand customers in marketing their brands and products, component and raw material supply costs, and general economic and industry conditions.
- Core competitiveness includes technology leadership, capability to design new products and premium products, timely investment in advanced fabs, cost leadership through application of large production lines, innovation of process and productivity, and collaborative customer relationships.

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- Most importantly, cost leadership and stable and long-term relationships with customers are critical to secure profit even in a buyer's market.
- A substantial portion of our sales is attributable to a limited group of end-brand customers and their designated system integrators. The loss of these end-brand customers, as a result of customers entering into strategic supplier arrangements with our competitors or otherwise, would thus result in reduced sales.
- Developing new products and technologies that can be differentiated from those of our competitors is critical to the success of our business. We take active measures to obtain international protection of our intellectual property by obtaining patents and undertaking monitoring activities in our major markets. It is also necessary to recruit and retain the experienced key staffs and highly skilled line operators.

(4) Sourcing material

- Materials are sourced in-house (color filters) as well as from domestic and overseas vendors. However, the domestic portion has grown due to the active participation of domestic vendors.
- The shortage of raw materials may arise temporarily due to the rapid increase in demand for raw materials from capacity expansion in the TFT-LCD industry.
- We have purchased, and expect to purchase, a substantial portion of our equipment from a limited number of qualified foreign and local suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by the equipment vendors.

(5) Others

- Most TFT-LCD panel makers are located in Asia.
 - a. Korea: LG.Philips LCD, Samsung Electronics (including Joint Venture between Samsung Electronics and Sony Corporation), BOE-Hydis

b. Taiwan: AU Optronics, Chi Mei Optoelectronics, CPT, QDI, etc.

c. Japan: Sharp, Hitachi, etc.

d. China: SVA-NEC LCD, BOE-OT

B. Company

(1) Business overview

- We started the TFT-LCD business in 1998. We currently operate six fabrication facilities located in Gumi, Korea and three module facilities located in Gumi, Korea and Nanjing, China.

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- We became the first LCD maker in the world to commence commercial production at a 4th generation fab (P3) in July 2000 and at a 5th generation fab (P4) in March 2002 to meet the demand for large-size monitors.
- We started mass production at our 6th generation fab (P6) in August 2004, which provided us with a full line-up of products and which allows us to meet growing customer demand for LCD TV panels in addition to LCD panels for Notebook PC and Monitor, etc.
- Business area of the company for disclosure is limited to LCD business.

(2) Market shares

- World wide market share of large-size TFT-LCD panels (≥ 10) based on revenue

	<u>2004</u>	<u>2003</u>
Panel for Notebook PC	19.7%	19.9%
Panel for Monitor	22.7%	23.4%
Panel for TV	19.9%	26.0%
Total	21.0%	22.5%

(Source: DisplaySearch Q1 2005)

(3) Market characteristics

- Due to the recent high growth in the display appliance market for the flat display format, the scale of the LCD market is growing at a rapid rate, resulting in expansion of the market centered in America, Japan, Europe and China.

(4) New business and forecast

- In March 2004, we broke ground for a new TFT-LCD industrial complex in Paju, Korea, and construction of P7 is currently in progress.
- We plan to commence mass production at P7 with an initial design capacity of 45,000 sheets per month, using 1,950 x 2,250 mm glass, during the first half of 2006. We may expand P7's capacity to 90,000 sheets per month depending on future market and other conditions. We currently estimate that the construction and build-out of P7, at a capacity of 90,000 sheets per month, will cost approximately W5.3 trillion.

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(5) Organization chart

- JRD : Joint Representative Director

- CEO : Chief Executive Officer

- CFO : Chief Financial Officer

- COO : Chief Operating Officer

- CTO : Chief Technology Officer

2. Information Regarding Shares

A. Shareholder List

(1) Total shares issued : 325,315,700 shares as of Dec. 31, 2004

(2) Principal shareholders and related parties as of Dec. 31, 2004

(Unit: share)

<u>Name</u>	<u>End of Dec. 2003</u>	<u>Increase/Decrease</u>	<u>Dec. 31, 2004</u>	<u>Cause of change</u>
LGE	72,500,000 (50%)	72,500,000	145,000,000 (44.57%)	Stock split, etc.
Philips	72,500,000 (50%)	72,500,000	145,000,000 (44.57%)	
Total	145,000,000 (100%)	145,000,000	290,000,000 (89.14%)	

* The number of shares and the ratio have changed due to a stock split on May 25, 2004 (from (Won)10,000 to (Won)5,000), new share issues of 33,600,000 for our IPO on July 23, 2004, and over-allotment option of 1,715,700 shares exercised on Sep. 8, 2004.

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(3) Shareholders who own 5% or more of our shares as of Dec. 31, 2004

(Unit: share)

<u>Name</u>	<u>Type of Stock</u>	<u>Number of shares</u>	<u>Ratio</u>
LGE	Common Stock	145,000,000	44.57%
Philips	Common Stock	145,000,000	44.57%
Citibank, N.A. *	ADR	19,143,964	5.88%
Total		309,143,964	95.02%

* As depositary of the American Depositary Shares

B. Voting rights as of Dec. 31, 2004

(Unit: share)

<u>Description</u>	<u>Number of shares</u>
1. Shares with voting rights [A-B]	325,315,700
A. Total shares issued	325,315,700
B. Shares without voting rights	
2. Shares with restricted voting rights	
Total voting right [1-2]	325,315,700

C. Dividends

(1) Dividends during the recent 3 fiscal years

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Par value (Won)	5,000	5,000	5,000
Net income (Million Won)	1,655,445	1,019,100	288,792
Earnings per share (Won)	5,420	3,514	996
Retained earning for dividends (Million Won)	2,963,337	1,307,892	288,792
Total cash dividend amount (Million Won)			
Total stock dividend amount (Million Won)			
Cash dividend payout ratio (%)			
Cash dividend yield (%)			
Stock dividend yield (%)			
Cash dividend per share (Won)			
Stock dividend per share (Won)			

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- * Earnings per share are calculated based on par value of 5,000 won.
(Stock split from par value of 10,000 won to par value of 5,000 won per share as of May 04)
- * Retained earning for dividends is the amount before dividend is made.
- * Earnings per share was calculated by net income divided by weighted average number of common stock

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A. Major products

(Unit: In billions of won)

<u>Business area</u>	<u>Sales types</u>	<u>Items (Market)</u>	<u>Specific use</u>	<u>Major trademark</u>	<u>Sales (%)</u>
TFT-LCD	Commodity/ Product/ Service/ Other Sales	TFT-LCD (Overseas)	Notebook, Monitor, TV Applications Panels,etc.	LG.Philips LCD	7,298 (90%)
		TFT-LCD (Korea*)	Notebook, Monitor, TV Applications Panels,etc.	LG.Philips LCD	782 (10%)
Total					8,080

* Local export was included.

B. Average selling price trend of major products

(Unit: In thousands of won)

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
TFT-LCD panel	315	286	315

* Half-finished products of cells type sold to LG.Philips LCD, Nanjing are excluded.

(1) Assumptions for calculations

- Average annual selling price per panel which is 10 or above

(2) Major factors contributing to price fluctuation

- Price change due to fluctuation in market
- Price change due to change in model mix

C. Major materials

(Unit: In billions of won)

Business area	Purchase types	Items	Specific use	Purchase amount		Remarks
					(%)	
TFT- LCD		Back-Light		752.5	(18.5%)	Heesung Electronics Ltd. and etc.
	Materials	Glass	LCD Panel	732.6	(18.0%)	Samsung Corning Co., Ltd., NEG, and etc.
		Polarizer	Manufacturing	473.0	(11.6%)	LG Chem and etc.
		Others		2,108.3	(51.9%)	
Total			4,066.4	(100.0%)		

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D. Price trend of major materials

(Unit : Won)

Description	2004	2003	2002
Back-Light	35,800	33,441	36,861
Glass	76,080	57,488	44,280
Polarizer	8,256	7,288	7,571

(1) Assumption for calculation

- Average unit price of major raw materials

(2) Major factors contributing to price fluctuations

- Difference between demand and supply, change in size of raw materials and changes in quantity.
- Continuous cost reduction efforts by key vendors.

4. Production and Equipment

A. Production capacity and calculation

(1) Production capacity

(Unit : 1,000 Glass sheets)

Business area	Items	Business place	2004	2003	2002
TFT-LCD	TFT-LCD	Gumi	6,644	5,280	3,948

(2) Calculation of Capacity

a. Method

Assumptions for calculation

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- Based on input production capacity

Calculation method

- Average monthly input capacity for recent three months (4th quarter) × given periods (12 months)

b. Average working hours

- Refer to B-(2)

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B. Production performance and working ratio

(1) Production performance

(Unit: 1,000 Glass sheets)

<u>Business area</u>	<u>Items</u>	<u>Business place</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
TFT-LCD	TFT-LCD	Gumi	6,033	4,715	3,218

(2) Working Ratio

(Unit: Hours)

<u>Business place(area)</u>	<u>Maximum working hours of 2004</u>	<u>Real working hours of 2004</u>	<u>Average working ratio</u>
Gumi (TFT-LCD)	8,784 (24HR. X 366Days)	8,784 (24HR. X 366Days)	100%

C. Investment plan

(1) Investment in progress

(Unit: In billions of won)

<u>Business area</u>	<u>Description</u>	<u>Investment period</u>	<u>Investment Assets</u>	<u>Investment effect</u>	<u>Total investment</u>	<u>Already invested</u>	<u>To be invested</u>	<u>Remarks</u>
TFT-LCD	New / Expansion, etc.	04.Q1~	Building/ Machinery, etc.	Capacity Expansion	6,300	700	5,600	

(2) Investment Plan

(Unit: In billions of won)

<u>Business area</u>	<u>Project</u>	<u>Expected total</u>		<u>Expected yearly investment</u>			<u>Investment effects</u>	<u>Remarks</u>
		<u>investment</u>		<u>2005 (1)</u>	<u>2006 (2)</u>	<u>2007 (2)</u>		
		<u>Assets</u>	<u>Amount</u>					
TFT-LCD	New/ Expansion, etc.	Building/ Machinery, etc.	4,580	4,580			Capacity Expansion	

(1) Expected investment in 2005 is subject to change depending on market environment, etc.

(2) CAPEX during 2006 and 2007 cannot be projected due to industry characteristics.

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5. Sales

A. Sales performance

(Unit: In billions of won)

Business area	Sales	Items	2004	2003	2002
	types	(Market)			
TFT-LCD	Products, etc.	Overseas	7,298	5,053	2,844
		Korea	782	978	674
		Total	8,080	6,031	3,518

B. Sales route and sales method

(1) Sales organization

- Sales departments for Notebook PC sales, Monitor sales, TV sales and applications sales, including sales planning & administration department, under Worldwide Sales EVP.
- Sales subsidiaries in America, Germany, Japan, Taiwan and China (Hong Kong, Shanghai) perform sales activities in overseas countries and provide technical support to customers.

* There is a production subsidiary in Nanjing, China.

(2) Sales route

- LG.Philips LCD HQ & Nanjing subsidiary → Overseas subsidiaries(USA/Europe/Japan /Taiwan /Hong Kong/Shanghai) → System integrators, Branded customers → End users
- LG.Philips LCD HQ → System integrators, Branded customers → End users

(3) Sales method and condition

- Direct sales & sales through overseas subsidiaries

(4) Sales strategy

- To secure stable sales to major PC makers and electronic home appliance makers in world market, and to maintain strong leadership in growing and high value added products such as large monitor market, growing LCD TV market, car navigation market, avionics, medical and FA.

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- Sales order from end users to overseas subsidiaries → Information to HQ → Scheduling the production plan → Shipping products to subsidiaries → Sales to end users by overseas subsidiaries.

6. Employees as of Dec. 31, 2004

(Unit : person, year, in millions of won)

Detail employees							
Sex	Official Worker	Line Worker	Others	Total	Total Salary	Per capita Salary	Average Service Period
Male	3,916	3,173		7,089	287,303	45	4.1
Female	325	3,261		3,586	91,021	31	2.1
Total	4,241	6,434		10,675	378,324	41	3.5

* Director and Executive officers are excluded.

7. Financial Information

A. Financial Highlights (Based on Non-consolidated, Korean GAAP)

(Unit: In millions of won)

Description	2004	2003	2002	2001	2000
[Current assets]	2,638,616	1,918,329	806,156	374,198	455,304
Quick assets	2,170,617	1,644,838	463,539	189,708	183,259
Inventories	467,999	273,491	342,617	184,490	272,045
[Fixed assets]	6,960,077	4,295,753	3,613,748	3,361,220	2,973,535
Investments	409,955	203,343	147,832	128,397	63,386
Tangible assets	6,366,651	3,874,428	3,210,884	2,937,209	2,584,643
Intangible assets	183,471	217,982	255,032	295,614	325,506
Total Assets	9,598,693	6,214,082	4,419,904	3,735,418	3,428,839
[Current liabilities]	1,900,765	2,044,005	1,117,066	904,952	1,204,805
[Non-current liabilities]	1,925,286	1,276,045	1,436,775	1,251,713	263,834

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Total Liabilities	3,826,051	3,320,050	2,553,841	2,156,665	1,468,639
[Capital Stock]	1,626,579	1,450,000	1,450,000	1,450,000	1,450,000
[Capital surplus]	1,012,271				
Capital reserve	1,012,271				
Asset revaluation reserve					
[Retained earnings]	3,091,674	1,436,229	417,129	128,337	509,940
[Capital adjustment]	42,118	7,803	Δ1,066	416	260
Total Shareholder s equity	5,772,642	2,894,032	1,866,063	1,578,753	1,960,200
Sales revenues	8,079,891	6,031,261	3,518,289	2,386,617	2,389,712
Operating income	1,640,708	1,086,517	215,724	Δ303,646	674,158
Ordinary income	1,683,067	1,009,731	293,249	Δ420,342	496,129
Net income	1,655,445	1,019,100	288,792	Δ381,603	494,768
				[Δ is minus(-).]	

* For the purpose of comparison, Financial Statements for FY 2003 & 2002 were reclassified according to changes in the Statements of Korean Financial Accounting Standards.

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B. R&D Expense

(1) Summary

(Unit: In millions of won)

<u>Account</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>Remarks</u>
Direct Material Cost	170,051	141,614	77,051	
Direct Labor Cost	58,202	14,421	10,480	
Depreciation Expense	11,078	6,165	8,722	
Others	13,874	9,082	5,502	
R&D Expense Total	253,205	171,282	101,755	
Accounting Treatment				
Selling & Admin. Expenses	43,095	29,708	24,749	
Manufacturing Cost	210,110	141,574	77,006	
R&D Expense / Sales ratio [Total R&D Expense÷Sales for the period×100]	3.13%	2.84%	2.89%	

* Capex for R&D, Manufacturing Cost for R&D test run, and other R&D related cost are excluded.

(2) R&D achievements

1) Development of 20.1-inch AMOLED

- Joint development of 20.1-inch AMOLED with LG Electronics

- Development of world's largest 20.1-inch wide AMOLED based on LTPS technology

2) Development of Copper bus line

- Next generation LCD technology to significantly improve brightness, definition and resolution, etc.

3) Development of World's largest size TFT LCD TV (55W)

- Stitch Lithography and Segmented Circuit Driving to cope with Large-size LCD Panel
- Achievement of High Contrast Ratio and Fast Response Time through new technologies
- Application of innovative panel technology to solve the weak point (gravity/touch stains) of large size

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4) Development of Ultra high resolution product (30W)

- World's 1st success in mass production of LCM applying Cu Line(source & gate Area)

- Achievement of Ultra high resolution (2560x1600 : 101ppi)

C. Domestic Credit Rating

<u>Subject</u>	<u>Month of Rating</u>	<u>Credit Rating</u>	<u>Rating Agency (Rating range)</u>
Corporate Debenture	Apr. 2004	AA-	Korea Investors Service, Inc. (AAA ~ D)
	May. 2004		National Information & Credit Evaluation, Inc. (AAA ~ D)
	Nov. 2004	AA-	National Information & Credit Evaluation, Inc. (AAA ~ D)
Commercial Paper	Apr. 2004		National Information & Credit Evaluation, Inc. (A1 ~ D)
	May. 2004	A1	Korea Investors Service, Inc. (A1 ~ D)
	Nov. 2004	A1	Korea Investors Service, Inc. (A1 ~ D)

D. Remuneration for directors & executive officers in 2004

<u>Classification</u>	<u>Salary paid</u>	<u>Approved salary at Shareholders Meeting</u>	<u>Per capita average salary paid</u>
CEO (Bon Joon Koo)			
CFO (Ron H. Wirahadiraksa)			
Worldwide Sales/EVP (Duke M. Koo) ¹⁾			
Manufacturing/EVP (Ki Seon Park) ¹⁾	8.08 billion won		1.35 billion won
CTO (Budiman Sastra) ¹⁾		13.4 billion won	
Marketing/EVP (Bruce I. Berkoff) ¹⁾			
Outside Director (Bart van Halder)			
Outside Director (Ingoo Han)	45 million won		23 million won

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- 1) Executive officers who are not BOD members
- 2) Special incentive was included.
- 3) Company does not pay remuneration to statutory auditors.

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8. Major Events after December 31, 2004

(1) Issue of KRW denominated unregistered, non-guaranteed, and unsecured corporate debenture

<u>Class of Bonds</u>	<u>Aggregate Face Value</u>		<u>Issue Date</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>	<u>Method of Principal Repayment</u>
	<u>KRW</u>					
	<u>(in million)</u>					
The 14 th Debenture	(Won)	400,000	Mar. 21, 2005	Mar. 21, 2010	4.5%	Bullet payment

(2) Entered into a strategic joint venture agreement with Nippon Electric Glass Co., Ltd. in Feb. 2005 to establish a glass J/V, Paju Electric Glass, in Paju, Korea.

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Report of Independent Auditors

To the Board of Directors and Shareholders of

LG.Philips LCD Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of LG.Philips LCD Co., Ltd. (the Company) as of December 31, 2004 and 2003, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the years then ended, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of LG.Philips LCD Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 1 and 14, in July 2004, pursuant to Securities Registration Statement filed on July 16, 2004 with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares (ADSs) for gross proceeds of US\$748,800 thousand. In September 2004, pursuant to underwriting agreement dated July 15, 2004, the Company sold an additional 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US\$51,471 thousand. The Company intends to use the proceeds of these sales to fund the capital expenditures associated with the construction of its seventh generation TFT-LCD fabrication plant (P7) and other LCD facility in Korea.

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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles or auditing standards and their application in practice.

/s/ Samil PricewaterhouseCoopers

Seoul, Korea

January 26, 2005

This report is effective as of January 26, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents**LG.Philips LCD Co., Ltd.****Non-consolidated Balance Sheets****December 31, 2004 and 2003**

<i>(in millions of Korean won)</i>	2004	2003
Assets		
Current assets		
Cash and cash equivalents (Note 3)	(Won) 1,274,989	(Won) 449,218
Available-for-sale securities	15	68
Trade accounts and notes receivable, net (Notes 4, 5 and 19)	635,903	1,057,366
Inventories, net (Note 6)	467,999	273,491
Other accounts receivable, net (Notes 4, 5 and 19)	6,690	12,016
Accrued income, net (Note 4)	1,470	283
Advance payments, net (Note 4)	9,793	3,008
Prepaid expenses	27,905	22,431
Prepaid value added tax	80,917	82,332
Others (Note 13)	132,935	18,116
Total current assets	2,638,616	1,918,329
Property, plant and equipment, net (Note 7)	6,366,651	3,874,428
Long-term financial instruments (Note 3)	16	16
Equity method investments (Note 8)	168,039	36,572
Non-current guarantee deposits	19,070	16,564
Long-term other accounts receivable, net (Note 4)		166
Long-term prepaid expenses	49,652	35,063
Deferred income tax assets (Note 17)	173,178	114,962
Intangible assets, net (Note 9)	183,471	217,982
Total assets	(Won) 9,598,693	(Won) 6,214,082
Liabilities and Shareholders Equity		
Current liabilities		
Short-term borrowings (Note 10)	(Won)	(Won) 62
Trade accounts and notes payable (Notes 5 and 19)	451,755	380,113
Other accounts payable (Note 5 and 19)	978,501	1,014,745
Advances received	53	3,909
Withholdings	4,860	3,991
Accrued expenses (Note 5)	131,735	125,347
Income tax payable (Note 17)	74,581	39,553
Current maturities of debentures and long-term debt (Note 11)	205,139	465,623
Others (Note 13)	54,141	10,662
Total current liabilities	1,900,765	2,044,005
Debentures, net of current maturities and discounts on debentures (Note 11)	1,707,716	1,154,586
Long-term debt, net of current maturities (Note 11)	185,632	100,501
Accrued severance benefits, net (Note 12)	31,938	20,958
Total liabilities	3,826,051	3,320,050

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Commitments and contingencies		
Shareholders' equity		
Capital stock (Note 14)		
Common stock, (Won)5,000 par value per share; 400 million shares authorized ; 325 million shares issued and outstanding (2003 : 290 million)	1,626,579	1,450,000
Capital surplus (Note 14)	1,012,271	
Retained earnings (Note 15)	3,091,674	1,436,229
Capital adjustments (Note 16)	42,118	7,803
Total shareholders' equity	5,772,642	2,894,032
Total liabilities and shareholders' equity	(Won) 9,598,693	(Won) 6,214,082

The accompanying notes are an integral part of these non-consolidated financial statements.

Table of Contents**LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Income**

Years ended December 31, 2004 and 2003

(in millions of Korean won, except per share amounts)

	2004	2003
Sales (Notes 19 and 21)	(Won) 8,079,891	(Won) 6,031,261
Cost of sales (Note 19)	6,196,624	4,751,387
Gross profit	1,883,267	1,279,874
Selling and administrative expenses	242,559	193,357
Operating income	1,640,708	1,086,517
Non-operating income		
Interest income	19,496	6,093
Foreign exchange gains (Note 13)	152,781	106,365
Gain on foreign currency translation (Note 13)	155,857	14,427
Gain on valuation of investments using the equity method of accounting (Note 8)	81,627	
Gain on disposal of property, plant and equipment	4,727	2,113
Reversal of bad debt allowance		3,668
Others	11,136	17,327
	425,624	149,993
Non-operating expenses		
Interest expenses	49,972	78,850
Foreign exchange losses (Note 13)	244,256	92,915
Loss on foreign currency translation (Note 13)	67,571	23,452
Loss on disposal of property, plant and equipment	3,522	1,156
Loss on disposal of accounts receivable	6,838	5,739
Loss on disposal of available-for-sale securities	25	308
Loss on valuation of investments using the equity method of accounting (Note 8)		22,369
Loss on redemption of debentures		1,279
Donations	11,080	705
Others	1	6
	383,265	226,779
Income before income taxes	1,683,067	1,009,731
Income tax benefit (expense) (Note 17)	(27,622)	9,369
Net income	(Won) 1,655,445	(Won) 1,019,100
Ordinary income per share (Note 18)	(Won) 5,420	(Won) 3,514
Earnings per share (Note 18)	(Won) 5,420	(Won) 3,514

The accompanying notes are an integral part of these non-consolidated financial statements.

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LG.Philips LCD Co., Ltd.

Non-Consolidated Statements of Appropriations of

Retained Earnings years ended December 31, 2004 and 2003

(Date of appropriations : March 23, 2005 and March 19, 2004 for the years ended December 31, 2004 and 2003, respectively)

<i>(in millions of Korean won)</i>	2004	2003
Retained earnings before appropriations		
Unappropriated retained earnings carried-over from prior years	(Won) 1,307,892	(Won) 288,792
Net income	1,655,445	1,019,100
	2,963,337	1,307,892
Appropriation of retained earnings		
Unappropriated retained earnings carried forward to the subsequent year	(Won) 2,963,337	(Won) 1,307,892

The accompanying notes are an integral part of these non-consolidated financial statements.

Table of Contents**LG.Philips LCD Co., Ltd.****Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2004 and 2003

<i>(in millions of Korean won)</i>	2004	2003
Cash flows from operating activities		
Net income	(Won) 1,655,445	(Won) 1,019,100
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,206,674	951,997
Amortization of intangible assets	44,461	43,856
Provision for severance benefits	32,565	19,948
Loss (gain) on foreign currency translation, net	(98,606)	8,816
Loss on disposal of available-for-sale securities	25	308
Loss (gain) on disposal of property, plant and equipment, net	(1,205)	(957)
Loss on redemption of debentures		1,279
Amortization of discount on debentures	11,719	11,102
Loss (gain) on valuation of investments using the equity method of accounting	(81,627)	22,369
Others	8,680	6,494
	<u>1,122,686</u>	<u>1,065,212</u>
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts and notes receivable	410,219	(713,290)
(Increase) decrease in inventories	(194,508)	69,127
Decrease (increase) in other accounts receivable	5,289	(7,780)
Increase in accrued income	(1,187)	(224)
(Increase) decrease in advance payments	(6,785)	308
Decrease in prepaid expenses	8,004	6,686
Decrease (increase) in prepaid value added tax	1,416	(64,024)
Decrease in other current assets	1,039	7,270
Decrease in long-term other accounts receivable	166	864
Increase in long-term prepaid expenses	(28,070)	(7,809)
Increase in deferred income tax	(58,217)	(49,606)
Increase in trade accounts and notes payable	73,469	161,182
Increase in other accounts payable	29,888	16,632
Decrease in advances received	(3,856)	(22,355)
Increase (decrease) in withholdings	869	(2,613)
Increase in accrued expenses	11,396	66,447
Increase in income taxes payable	35,028	39,553
Decrease in other current liabilities	(23,971)	(125)
Accrued severance benefits transferred from affiliated company	1,130	1,308
Payment of severance benefits	(8,291)	(9,828)
Decrease in severance insurance deposit	(14,500)	(8,705)
Decrease in contribution to national pension fund	76	146
	<u>238,604</u>	<u>(516,836)</u>
Net cash provided by operating activities	<u>(Won) 3,016,735</u>	<u>(Won) 1,567,476</u>

The accompanying notes are an integral part of these non-consolidated financial statements.

Table of Contents**LG.Philips Lcd Co., Ltd.****Non-Consolidated Statements of Cash Flows****Years ended December 31, 2004 and 2003**

<i>(in millions of Korean won)</i>	2004	2003
Cash flows from investing activities		
Proceeds from disposal of long-term financial instruments	(Won) 3	(Won) 3
Acquisition of equity method investments	(63,084)	(21,308)
Acquisition of available-for-sale securities	(225)	(67)
Proceeds from disposal of available for sale securities	253	76
Proceed from non-current guarantee deposits	731	
Payment of non-current guarantee deposits	(3,238)	(3,782)
Proceeds from disposal of property, plant and equipment	6,092	3,445
Acquisition of property, plant and equipment	(3,771,029)	(1,379,245)
Acquisition of intangible assets	(3,254)	(469)
Net cash used in investing activities	(3,833,754)	(1,401,347)
Cash flows from financing activities		
Repayment of short-term borrowings	(62)	(50,571)
Repayment of current maturities of long-term debt	(467,202)	
Repayment of debentures		(496,072)
Issuance of debentures	811,171	670,464
Proceeds from long-term debt	110,033	100,186
Proceeds from issuance of common stock	1,188,850	
Net cash provided by financing activities	1,642,790	224,007
Net increase in cash and cash equivalents	825,771	390,136
Cash and cash equivalents		
Beginning of the year	449,218	59,082
End of the year (Note 22)	(Won) 1,274,989	(Won) 449,218

The accompanying notes are an integral part of these non-consolidated financial statements.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****1. The Company**

LG.Philips LCD Co., Ltd. (the Company) was incorporated in 1985 under the Commercial Code of the Republic of Korea and commenced the manufacturing and sale of Thin Film Transistor- Liquid Crystal Display (TFT-LCD) from 1999. On July 26, 1999, LG Electronics Inc., Koninklijke Philips Electronics N.V. (Philips) and the Company entered into a joint venture agreement. Pursuant to the agreement, the Company changed its name from LG LCD CO., Ltd. to LG.Philips LCD Co., Ltd. effective August 27, 1999 and on August 31, 1999, the Company issued new shares of common stock to Philips for the consideration of (Won)725,000 million.

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004 with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares (ADSs) for gross proceeds of US\$748,800 thousand. In September 2004, pursuant the underwriting agreement dated July 15, 2004, the Company sold an additional 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US\$51,471 thousand.

As of December 31, 2004, the Company's shareholders are as follows:

	Number of Shares	Percentage of Ownership (%)
LG Electronics Inc.	145,000,000	44.57
Koninklijke Philips Electronics N. V.	145,000,000	44.57
Others	35,315,700	10.86
	325,315,700	100.00

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Application of the Statements of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards, established by the Korean Financial Supervisory Board. As SKFAS No. 2 through No. 9 became applicable to the Company on January 1, 2003, and it adopted these statements in its financial statements for the year ended December 31, 2003.

Further, as SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, it adopted these Standards in its financial statements for the year ended December 31, 2004.

As a result of these changes, (Won)57,487 million of non-operating expense has been reclassified to cost of sales for the year ended December 31, 2004 (2003 : (Won)27,007 million). These changes had no effect on ordinary income or net income.

Cash and Cash Equivalents

The Company considers cash on hand, bank deposits and highly liquid marketable securities with original maturities of three months or less to be cash and cash equivalents.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Revenue Recognition

Sales of manufactured products are recognized when significant risks and rewards of ownership of the goods are transferred.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts and notes receivable based on the aggregate estimated collectibility of the receivables.

Inventories

The Company accounts for inventories under the provision of SKFAS No.10, *Inventories*.

Inventories are stated at the lower of cost or market, with cost being determined using the weighted-average method, except for materials in-transit, which are stated at actual cost using the specific identification method. If the net realizable value of inventory is less than its cost, the carrying amount is reduced to the net realizable value. Any inventory valuation loss is added to the cost of sales.

Investments in Affiliates and Other Investments

The Company accounts for equity and debt securities under the provision of SKFAS No. 8, *Investments in Securities*. This statement requires investments in equity and debt securities to be divided into one of three categories: trading, available-for-sale and held-to-maturity.

Securities are initially carried at cost, including incidental expenses, with cost being determined using the gross average method. Debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Premiums and discounts on debt securities are amortized over the term of the debt using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable securities classified as available-for-sale securities, which are carried at cost. Non-marketable debt securities are carried at a value using the present value of future cash flows, discounted at the reasonable interest rate determined considering the credit ratings provided by the independent credit rating agencies.

Unrealized valuation gains or losses on trading securities are charged to current operations, and those resulting from available-for-sale securities are recorded as a capital adjustment, the accumulated amount of which shall be charged to current operations when the related securities are sold, or when an impairment loss on the securities is recognized. Impairment losses are recognized in the income statement when the recoverable amounts are less than the acquisition cost of securities or adjusted cost of debt securities for the amortization of discounts or premiums.

Investments in equity securities of companies, over which the Company exercises significant control or influence (controlled investees), are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee. The Company discontinues the equity method of accounting for investments in equity method investees when the Company's share of accumulated losses of the investees equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the investees equals its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Differences between the initial purchase price and the Company's initial proportionate ownership of the net book value of the investee are amortized over less than 20 years using the straight-line method.

Unrealized profit arising from sales by the Company to equity method investees is fully eliminated. The Company's proportionate unrealized profit arising from sales by the equity method investees to the Company or sales between equity method investees is also eliminated.

Foreign currency financial statements of equity method investees are translated into Korean won using the basic exchange rates in effect as of the balance sheet date for assets and liabilities, and annual average exchange rates for income and expenses. Any resulting translation gain or loss is included in the capital adjustment account, a component of shareholders' equity.

Property, Plant and Equipment

The cost of property, plant and equipment includes purchase costs or manufacturing costs, incidental costs directly related to preparing the premises and equipment for use, and the discounted estimated costs to remove, dismantle or restore property, plant and equipment at the end of the estimated useful lives of the related assets when those costs meet the conditions for the recognition of liabilities.

Property, plant and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as described below:

	<u>Estimated useful lives</u>
Buildings	20 - 40 years
Structures	20 - 40 years
Machinery and equipment	4 years
Vehicles	4 years
Tools, furniture and fixtures	4 years

Routine maintenance and repairs are charged to current operations as incurred. Betterments and renewals, which enhance the value of the assets over their recently appraised value, are capitalized.

The Company assesses the potential impairment of property, plant and equipment when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated

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realizable value and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the assets, net of accumulated depreciation before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Intangible Assets

Intangible assets, comprising industrial property rights, rights to use electronics and gas supply facilities, rights to use the industrial water facility, and software costs, are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets ranging from four to ten years. Research and development costs are charged to current operations when incurred, and are included in operating expenses.

The Company assesses the potential impairment of intangible assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value to be unlikely. The carrying value of the assets is reduced to the estimated realizable value, and an impairment loss is recorded as a reduction in the carrying value of the related asset and charged to current operations. However, the recovery of the impaired assets would be recorded in current operations up to the cost of the asset, net of accumulated amortization before impairment, when the estimated value of the assets exceeds the carrying value after impairment.

Discounts on Debentures

Discounts on debentures are amortized over the repayment period of the debentures using the effective interest rate method. Amortization is included in interest expense.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the basic rates in effect at the balance sheet date ((Won)1,035.6:US\$1 as of December 31, 2004; (Won)1,194.3:US\$1 as of December 31, 2003), and the resulting translation gains and losses are recognized in current operations.

Warranty Reserve

The Company provides a warranty relating to product defects for a specified period of time after sale. Estimated costs of product warranties are charged to cost at the time of sale and are included in the accompanying balance sheet as a warranty reserve.

Accrued Severance Benefits

Employees and directors with at least one year of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

The Company has made deposits to the National Pension Fund in accordance with the National Pension Funds Law. The use of the deposit is restricted to the payment of severance benefits. Accordingly, accrued severance benefits in the accompanying balance sheet are presented net of this deposit.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Accrued severance benefits are funded through a group severance insurance plan and are presented as a deduction from accrued severance benefits.

Sales or Discount of Accounts Receivable

The Company sells or discounts certain accounts or notes receivable to financial institutions, and accounts for the transactions as sales of the receivables if the control over the receivables are substantially transferred to the buyers. The losses from the sales of the receivables are charged to current operations as incurred.

Derivatives

The Company enters into derivative transactions to hedge against financial risks. Derivatives are classified into: cash flow hedges, hedges for fluctuations in fair market value caused by the changes in foreign exchange rates, and those acquired for profit. In case of cash flow hedges, unrealized holding gains and losses are recorded as capital adjustments in the balance sheet. In the case of hedging for fluctuations in fair market value, unrealized holding gains and losses are recorded in the income statement. If the contract expires, the gains and losses from derivative transactions are presented in the income statement in case of hedges for fluctuations in fair market value and are offset against sales in case of cash flow hedging.

Income Taxes

The Company recognizes deferred income tax assets and liabilities, which represent temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are computed on such temporary differences, including available net operating loss carry-forwards and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to reverse. Deferred income tax assets are recognized when it is almost certain that such deferred income tax assets will be realized. The total income tax provision includes the current income tax expense computed under applicable tax regulations and the changes in the balances of deferred income tax assets and liabilities during the period.

Investment tax credits are accounted for by the flow-through method whereby income taxes are reduced in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred income tax assets, subject to considerations on their recognition, are recognized for the carry-forward amount.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

3. Cash and Cash Equivalents, and Financial Instruments

Cash and cash equivalents, and financial instruments as of December 31, 2004 and 2003, consist of the following:

<i>(in millions)</i>	Annual interest rate (%) as of December 31, 2004	2004	2003
<u>Cash and cash equivalents</u>			
Cash on hand		(Won) 7	(Won) 3
Checking accounts		122	20
Time deposits	2.8 - 3.4	1,130,869	376,423
Passbook accounts in foreign currency	1.9 - 2.1	143,991	72,772
		US\$ (139)	US\$ (60)
		JP¥ (43)	JP¥ (63)
		<u>1,274,989</u>	<u>449,218</u>
<u>Long-term financial instruments</u>			
Guarantee deposit for checking accounts	0.1 0.5	16	16
		<u>(Won) 1,275,005</u>	<u>(Won) 449,234</u>

As of December 31, 2004 and 2003, long-term financial instruments represent key money deposits required to maintain checking accounts and accordingly, the withdrawal of such deposits is restricted.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

4. Receivables

The Company's receivables, including trade accounts and notes receivable, as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004			
	Gross amount	Allowance for doubtful accounts	Discounts on present value	Carrying value
Trade accounts and notes receivable	(Won) 636,724	(Won) 821	(Won) 2	(Won) 635,903
Other accounts receivable	7,012	320	2	6,690
Advance payments	9,892	99		9,793
Accrued income	1,485	15		1,470
	(Won) 655,113	(Won) 1,255	(Won) 2	(Won) 653,856
<i>(in millions of Korean won)</i>	2003			
	Gross amount	Allowance for doubtful accounts	Discounts on present value	Carrying value
Trade accounts and notes receivable	(Won) 1,061,336	(Won) 3,970	(Won) 74	(Won) 1,057,366
Other accounts receivable	12,473	383	74	12,016
Advance payments	3,038	30		3,008
Accrued income	286	3		283
Long-term other accounts receivable	170	2	2	166
	(Won) 1,077,303	(Won) 4,388	(Won) 76	(Won) 1,072,839

As of December 31, 2004, trade bills negotiated through banks but not yet matured, amounted to approximately (Won)410,824 million (2003: (Won)117,991 million).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

5. Assets and Liabilities Denominated in Foreign Currencies

As of December 31, 2004 and 2003, monetary assets and liabilities denominated in foreign currencies, excluding those disclosed elsewhere in the accompanying footnotes, are as follows:

<i>(in millions)</i>	2004		2003	
	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency
Trade accounts and notes receivable	(Won)605,500	US\$ 494 JP¥ 1,264 EUR 58	(Won)1,037,591	US\$ 770 JP¥ 5,443 EUR 39
Other accounts receivable	5,922	US\$ 1 JP¥ 26 EUR 3	5,332	US\$ 4 JP¥ 51 EUR
Trade accounts and notes payable	168,182	US\$ 61 JP¥ 10,445	187,091	US\$ 43 JP¥ 12,247
Other accounts payable	125,868	US\$ 13 JP¥ 10,596 EUR 4	89,507	US\$ 12 JP¥ 6,728 EUR 1
Accrued expense	14,190	US\$ 14	18,521	US\$ 16

6. Inventories

Inventories as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004	2003
Finished products	(Won) 244,084	(Won) 85,406
Work-in-process	112,538	78,450
Raw materials	108,221	94,912
Supplies	53,133	31,684
	517,976	290,452
Less : Valuation loss	(49,977)	(16,961)

(Won) 467,999

(Won) 273,491

As of December 31, 2004, inventories and property, plant and equipment are insured against fire and other casualty losses up to (Won)26,873,073 million (2003: (Won)16,194,946 million). Additionally as of December 31, 2004, the Company insured directors and officers liabilities insurance up to US\$85 million (2003: nil).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

7. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004					
	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools
Balance as of January 1, 2004	(Won) 88,669	(Won) 501,119	(Won) 119,013	(Won) 2,056,822	(Won) 2,587	(Won) 17,751
Acquisition during the year	23	8,631	2,019	13,607	2,736	3,622
Capitalized interest	55	4,147		18,327		
Depreciation		(33,670)	(5,824)	(1,110,015)	(1,313)	(9,822)
Disposal		(88)		(4,766)		(3)
Transfer	224,873	337,629	(398)	2,400,498	30	8,571
Balance as of December 31, 2004	(Won) 313,620	(Won) 817,768	(Won) 114,810	(Won) 3,374,473	(Won) 4,040	(Won) 20,119
Accumulated depreciation	(Won)	(Won) 123,929	(Won) 19,985	(Won) 4,255,475	(Won) 3,569	(Won) 43,172
	Furniture and fixtures	Construction-in-progress	Machinery-in-transit	Other	Total	
Balance as of January 1, 2004	(Won) 70,708	(Won) 987,709	(Won) 28,521	(Won) 1,529	(Won) 3,874,428	
Acquisition during the year	37,106	2,276,579	1,333,467		3,677,790	
Capitalized interest		5,412	4,747		32,688	
Depreciation	(46,030)				(1,206,674)	
Disposal	(28)				(4,885)	
Transfer	19,940	(2,336,664)	(662,147)	972	(6,696)	
Balance as of December 31, 2004	(Won) 81,696	(Won) 933,036	(Won) 704,588	(Won) 2,501	(Won) 6,366,651	
Accumulated depreciation	(Won) 139,789	(Won)	(Won)	(Won)	(Won) 4,585,919	

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

2003						
<i>(in millions of Korean won)</i>	Land	Buildings	Structures	Machinery and equipment	Vehicles	Tools
Balance as of January 1, 2003	(Won) 81,451	(Won) 484,731	(Won) 99,462	(Won) 1,539,593	(Won) 1,884	(Won) 18,479
Acquisition during the year	181	2,266	110	18,668	1,546	1,151
Capitalized interest						
Depreciation		(25,457)	(5,398)	(875,486)	(843)	(8,788)
Disposal				(2,073)		(355)
Transfer	7,037	39,579	24,839	1,376,120		7,264
Balance as of December 31, 2003	(Won) 88,669	(Won) 501,119	(Won) 119,013	(Won) 2,056,822	(Won) 2,587	(Won) 17,751
Accumulated depreciation	(Won)	(Won) 90,808	(Won) 13,626	(Won) 3,199,798	(Won) 2,403	(Won) 34,117

	Furniture and fixtures	Construction-in-progress	Machinery-in-transit	Other	Total
Balance as of January 1, 2003	(Won) 59,260	(Won) 531,198	(Won) 393,321	(Won) 1,505	(Won) 3,210,884
Acquisition during the year	21,692	1,245,358	319,285		1,610,257
Capitalized interest		6,947	2,380		9,327
Depreciation	(36,025)				(951,997)
Disposal	(60)				(2,488)
Transfer	25,841	(795,794)	(686,465)	24	(1,555)
Balance as of December 31, 2003	(Won) 70,708	(Won) 987,709	(Won) 28,521	(Won) 1,529	(Won) 3,874,428
Accumulated depreciation	(Won) 96,441	(Won)	(Won)	(Won)	(Won) 3,437,193

As of December 31, 2004, the value of the Company's land, as determined by the local government in Korea for property tax assessment purposes, amounts to approximately (Won)259,230 million (2003: (Won)76,476 million).

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The Company capitalizes the loss(gain) on foreign currency rate changes and interest expense incurred on borrowings used to finance the cost of constructing facilities and equipment. The total of both the capitalized loss(gain) on foreign currency rate changes and interest expenses for the years ended December 31, 2004 were (Won)32,688 million (2003: (Won)9,327 million).

In 2004, net gain on foreign currency translation, arising from foreign currency borrowings, which were deducted from capitalized interest expenses, was (Won)8,597 million. In 2003, net loss on foreign currency translation of (Won)411 million was added to capitalized interest expenses.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

For the year ended December 31, 2004, the effects of capitalized interest expenses on significant accounts in the balance sheet and statement of income are as follows:

Balance sheet

<i>(in millions of Korean won)</i>	If interest expense is capitalized		If interest expense is expensed as incurred		Difference	
	Acquisition	Accumulated	Acquisition	Accumulated	Acquisition	Accumulated
	cost	Depreciation	cost	Depreciation	cost	Depreciation
Property, plant and equipment	(Won) 10,952,570	(Won) 4,585,919	(Won) 10,919,882	(Won) 4,583,854	(Won) 32,688	(Won) 2,065

Statement of income

<i>(in millions of Korean won)</i>	If interest expense is capitalized	If interest expense is expensed as incurred	Difference
Depreciation	(Won) 1,206,674	(Won) 1,204,609	(Won) 2,065
Interest expense	49,972	91,257	(41,285)
Foreign currency translation gain	155,857	164,454	8,597
Net income	1,655,445	1,624,822	(30,623)

8. Equity-method Investments

Equity-method investments, as of December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004				
	No. of shares owned by the Company	Percentage of Ownership(%)	Acquisition cost	Market or net asset value	Carrying value

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LG.Philips LCD, America	5,000,000	100	(Won) 6,082	(Won) 7,133	(Won) 7,133
LG.Philips LCD, Germany	960,000	100	1,252	2,262	2,262
LG.Philips LCD, Japan	1,900	100	1,088	4,052	4,052
LG.Philips LCD, Taiwan	11,549,994	100	6,076	10,974	10,974
LG.Philips LCD, Nanjing	1	100	100,071	140,241	140,241
LG.Philips LCD, Hong Kong	115,000	100	1,736	2,491	2,491
LG.Philips LCD, Shanghai	1	100	596	886	886
			(Won) 116,901	(Won) 168,039	(Won) 168,039

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

<i>(in millions of Korean won)</i>	2003				
	No. of shares owned by the Company	Percentage of Ownership(%)	Acquisition cost	Market or net Asset value	Carrying value
LG.Philips LCD, America	5,000,000	100	(Won) 6,082	(Won) 6,840	(Won) 6,840
LG.Philips LCD, Germany	960,000	100	1,252	568	568
LG.Philips LCD, Japan	1,900	100	1,088	1,788	1,788
LG.Philips LCD, Taiwan	11,549,994	100	6,076	5,861	5,861
LG.Philips LCD, Nanjing	¹	100	36,987	21,515	21,515
LG.Philips LCD, Hong Kong	115,000	100	1,736		
LG.Philips LCD, Shanghai	¹	100	596		
			(Won) 53,817	(Won) 36,572	(Won) 36,572

¹ No shares are issued according to the local laws or regulation.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

The details of the equity method valuation for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004					
	Balance as of January 1, 2004	Acquisitions during the period	Gain (loss) on valuation of investments by equity method	Retained earnings adjustment	Capital adjustment	Balance as of December 31, 2004
LG.Philips LCD, America	(Won) 6,840	(Won)	(Won) 1,582	(Won)	(Won) (1,289)	(Won) 7,133
LG.Philips LCD, Germany	568		1,875		(181)	2,262
LG.Philips LCD, Japan	1,788		2,577		(313)	4,052
LG.Philips LCD, Taiwan	5,861		5,898		(785)	10,974
LG.Philips LCD, Nanjing	21,515	63,084	65,537		(9,895)	140,241
LG.Philips LCD, Hongkong			2,843		(352)	2,491
LG.Philips LCD, Shanghai			1,315		(429)	886
	(Won) 36,572	(Won) 63,084	(Won) 81,627	(Won)	(Won) (13,244)	(Won) 168,039

<i>(in millions of Korean won)</i>	2003					
	Balance as of January 1, 2003	Acquisitions during the period	Gain (loss) on valuation of investments by equity method	Retained earnings adjustment	Capital adjustment	Balance as of December 31, 2003
LG.Philips LCD, America	(Won) 8,590	(Won)	(Won) (1,799)	(Won)	(Won) 49	(Won) 6,840
LLG.Philips LCD, Germany	1,368		(1,189)		389	568
LG.Philips LCD, Japan	2,188		(639)		239	1,788
LG.Philips LCD, Taiwan	6,529		(856)		188	5,861
LG.Philips LCD, Nanjing	17,818	18,975	(15,518)		240	21,515
LG.Philips LCD, Hongkong		1,736	(1,770)		34	
LG.Philips LCD, Shanghai		596	(598)		2	

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(Won) 36,493	(Won) 21,307	(Won) (22,369)	(Won)	(Won) 1,141	(Won) 36,572
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Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004 and 2003, elimination of unrealized gains or losses in the valuation of investments by the equity method is as follows:

<i>(in millions of Korean won)</i>	2004			2003		
	Inventories	Property, plant and equipment	Total	Inventories	Property, plant and equipment	Total
LG.Philips LCD, America	(Won) (1,392)	(Won)	(Won) (1,392)	(Won) (2,433)	(Won)	(Won) (2,433)
LG.Philips LCD, Germany				(2,178)		(2,178)
LG.Philips LCD, Japan				(585)		(585)
LG.Philips LCD, Taiwan				(2,480)		(2,480)
LG.Philips LCD, Nanjing	16,875	(4,538)	12,337	(16,650)	(980)	(17,630)
LG.Philips LCD, Hongkong	(37)		(37)	(2,017)		(2,017)
LG.Philips LCD, Shanghai	(809)		(809)	(945)		(945)
	(Won) 14,637	(Won) (4,538)	(Won) 10,099	(Won) (27,288)	(Won) (980)	(Won) (28,268)

9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004				
	Intellectual property rights	Rights for usage of electricity and gas supply facilities	Rights to industrial water facilities	Software	Total
Balance as of January 1, 2004	(Won) 209,922	(Won) 127	(Won) 4,287	(Won) 3,646	(Won) 217,982
Acquisition during the year	3,269	156	6,461	64	9,950
Amortization	(41,118)	(23)	(855)	(2,465)	(44,461)
Balance as of December 31, 2004	(Won) 172,073	(Won) 260	(Won) 9,893	(Won) 1,245	(Won) 183,471
Accumulated amortization	(Won) 243,249	(Won) 56	(Won) 2,412	(Won) 8,468	(Won) 254,185



Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

<i>(in millions of Korean won)</i>	2003				
	Intellectual property rights	Rights for usage of electricity and gas supply facilities	Rights to industrial water facilities	Software	Total
Balance as of January 1, 2003	(Won) 246,054	(Won) 126	(Won) 2,775	(Won) 6,077	(Won) 255,032
Acquisition during the year	4,783	17	2,006		6,806
Amortization	(40,915)	(16)	(494)	(2,431)	(43,856)
Balance as of December 31, 2003	(Won) 209,922	(Won) 127	(Won) 4,287	(Won) 3,646	(Won) 217,982
Accumulated amortization	(Won) 202,134	(Won) 34	(Won) 1,557	(Won) 6,003	(Won) 209,728

The Company has classified the amortization as part of manufacturing overhead cost. The total amortization expense for the year ended December 31, 2004 amount to (Won)44,461 million (2003: (Won)43,856 million).

The details of intellectual property rights as of December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	Description	2004	2003	Remaining Period
Intellectual property rights	Patent relating to TFT-LCD business	(Won) 172,073	(Won) 209,922	5 years

The Company expensed research and development costs of (Won)253,205 million (2003: (Won)142,188 million) for the year ended December 31, 2004.

For the years ended December 31, 2004 and 2003, the significant expenses, which are expected to have probable future economic benefits but expensed in the period they are incurred due to the uncertainty in the realization of such benefits, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
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Training expenses	(Won) 12,319	(Won) 8,009
Advertising expenses	5,391	1,547
Expenses for foreign market expansion	7,377	4,913
	<u> </u>	<u> </u>
	(Won) 25,087	(Won) 14,469
	<u> </u>	<u> </u>

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

10. Short-Term Borrowings

Short-term borrowings as of December 31, 2004 and 2003, are as follows:

(in millions)

Type of borrowing	Creditor	Annual interest rate (%) as of December 31, 2004	2004	2003
USANCE			(Won)	(Won) 62
				JP¥ (6)
			(Won)	(Won) 62

11. Long-Term Debt

Long-term debt as of December 31, 2004 and 2003, consists of the following:

(in millions of Korean won)

Type of borrowing	Annual interest rates (%) as of		2004	2003
	December 31, 2004			
Won currency debentures :				
Non-guaranteed, payable through 2009	3.5	6.0	(Won) 1,350,000	(Won) 1,050,000
Less : Current maturities				(300,000)
Discounts on debentures			(33,396)	(24,834)
			1,316,604	725,166
Foreign currency debentures :				
Floating rate notes, payable through 2007	3M Libor + 0.6,		416,311	241,249
	3M Libor + 1.0			
Term notes, payable through 2006	3M Libor +1.0		168,803	361,873
Less : Current maturities			(188,997)	(167,202)
Discount on debentures			(5,005)	(6,500)

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			391,112	429,420
			(Won) 1,707,716	(Won) 1,154,586
<u>Won currency loans :</u>				
General loans	5.9 6.1		(Won) 117,800	(Won) 58,700
<u>Foreign currency loans :</u>				
General loans	3M Libor+1.0, 6M Libor+1.2		85,955	41,801
Less : Current maturities			(18,123)	
			(Won) 185,632	(Won) 100,501

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

As of December 31, 2004, U.S. dollar debentures amounted to US\$565 million (2003: US\$ 505 million) and U.S. dollar loans amounted to US\$83 million (2003: US\$35 million).

Current maturities of long-term debt as of December 31, 2004 and 2003, consist of the following:

(in millions)

Type of borrowing	Creditor	Annual interest rates (%) as of December 31, 2004	2004	2003
Long-term debt in Won currency debentures			(Won) 188,997	(Won) 300,000
Long-term debt in foreign currency debentures		3M Libor + 1.0	18,123	167,202
Long-term debt in foreign currency loans		3M Libor + 1.0	US\$ (200)	US\$ (140)
Less : Discounts on debentures			(1,981)	(1,579)
			(Won) 205,139	(Won) 465,623

The aggregate annual maturities of long-term debt outstanding as of December 31, 2004, exclusive of adjustments relating to discounts, are as follows:

(in millions of Korean won)

For the year ending December 31,	Won currency debentures	Won currency loans	Foreign currency debentures	Foreign currency loans	Total
2006	(Won) 200,000	(Won) 29,417	(Won) 188,997	(Won) 18,123	(Won) 436,537
2007	300,000	39,266	207,120	12,427	558,813
2008	250,000	39,267		12,427	301,694
2009	600,000	9,850		12,427	622,277
2010 and thereafter				12,428	12,428

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<u>(Won) 1,350,000</u>	<u>(Won) 117,800</u>	<u>(Won) 396,117</u>	<u>(Won) 67,832</u>	<u>(Won) 1,931,749</u>
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Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****12. Accrued Severance Benefits**

Changes in accrued severance benefits for the years ended December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004	2003
Balance at the beginning of the year	(Won) 56,551	(Won) 43,526
Actual severance payments	(8,291)	(9,828)
Transferred from affiliated company	1,161	1,680
Transferred to affiliated company	(31)	(372)
Provision for severance benefits	32,565	21,545
	<u>81,955</u>	<u>56,551</u>
Cumulative deposits to National Pension Fund	(737)	(813)
Severance insurance deposit	(49,280)	(34,780)
Balance at the end of the year	<u>(Won) 31,938</u>	<u>(Won) 20,958</u>

The severance benefits are funded approximately 60.1% (2003: 61.5%) as of December 31, 2004, through a severance insurance deposit for the payment of severance benefits, which is deducted from accrued severance benefit liabilities. The beneficiaries of the severance insurance deposit are the Company's employees.

13. Commitments and Contingencies

As of December 31, 2004, the Company has bank overdraft agreements with various banks amounting to (Won)59,000 million.

As of December 31, 2004, the Company has a Revolving Credit Facility Agreement with Shinhan Bank and Hana Bank totaling (Won)200,000 million.

As of December 31, 2004, the Company has agreements with several banks for U.S. dollar denominated accounts receivable negotiating facilities up to an aggregate of US\$865 million. The Company has made agreements with several banks in relation to the opening of letters of credit amounting to (Won)140,000 million and US\$205 million. The related amounts of negotiated foreign currency receivables outstanding as of December 31, 2004, amounted to (Won)410,824 million (2003: (Won)117,991 million).

As of December 31, 2004, in relation to its TFT-LCD business, the Company has technical license agreements with Semiconductor Energy Laboratory Co., Ltd. and others. As of December 31, 2004, the Company has trademark license agreements with LG Corporation and Philips Electronics.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

The Company is involved in several legal proceedings and claims arising in the ordinary course of business. In August 2002, the Company filed a complaint against Chunghwa Picture Tubes, Tatung Company and Tatung Co., of America, alleging patent infringement relating to liquid crystal displays and the manufacturing process for TFD-LCDs. Subsequently, the Company filed a complaint against customers of Chunghwa Picture Tubes, which included ViewSonic Corp., Jeans Co, Lite-On Technology Corp., Lite-On Technology International, Inc., TpV Technology and Invision Peripheral Inc. In June 2004, Chunghwa Picture Tubes filed a counter-claim against the Company in the United States District Court for the Central District of California for alleged ownership for certain patent and violation of U.S. antitrust laws. In May 2004, the Company filed a complaint against Tatung Co., parent company of Chunghwa Picture Tubes and ViewSonic Corp., and other claiming patent infringement on rear mountable liquid crystal display devices in United States District of Delaware and Patent country Court in the United Kingdom. The Company filed a complaint against Chunghwa Picture Tubes in American Arbitration Association in connection with the ownership for patent. On May 25, 2004, the Company filed a Complaint for Declaratory Judgment of properly recorded inventorship in United States District Court for the district of Massachusetts. In January 2005, Chunghwa Picture Tubes filed a complaint for patent infringement against the Company. The Company's management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have any material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company enters into foreign currency forward contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy. The use of foreign currency forward contracts allows the Company to reduce its exposure to the risk that the eventual Korean won cash outflows resulting from operating expenses, capital expenditures, purchasing of materials and debt service will be adversely affected by changes in exchange rates.

A summary of these contracts follows (in millions):

<u>Contracting party</u>	<u>Selling position</u>	<u>Buying position</u>	<u>Contract foreign exchange rate</u>	<u>Maturity date</u>
HSBC and others	US\$ 1,408	(Won) 1,577,449	(Won) 1,038.96:US\$1 ~ (Won) 1,187.00:US\$1	January 14, 2005 - December 11, 2005
BNP Paribas and others	US\$ 214	JP¥ 22,655	JP¥ 100.89:US\$1 ~ JP¥ 110.11:US\$1	January 5, 2005 - June 24, 2005

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004, the Company recorded unrealized gains and losses on outstanding foreign currency forward contracts of (Won)123,585 million and (Won)35 million, respectively. Total unrealized gains and losses of (Won)68,298 million and (Won)35 million, respectively, were charged to current operations for the year ended December 31, 2004, as these contracts did not meet the requirements for a cash flow hedge. Unrealized gains amounting to (Won)55,287 million, which were incurred relating to cash flow hedges from forecasted exports, were recorded as capital adjustments.

The hedged forecasted transactions are expected to occur on December 11, 2005, and the aggregate amount of all deferred gains recorded in capital adjustments, which is expected to be included in the determination of net income within a year from December 31, 2004, is (Won)55,287 million.

For the year ended December 31, 2004, the Company recorded realized exchange gains of (Won)80,306 million (2003: (Won)40,978 million) on foreign currency forward contracts upon settlement, and for year ended December 31, 2004, realized exchange losses amounted to (Won)51,597 million (2003: (Won)16,648 million).

The Company entered into cross-currency swap contracts to manage the exposure to changes in currency exchange rates in accordance with its foreign currency risk management policy and to manage the exposure to changes in interest rates related to Floating Rate Notes. These transactions do not meet the requirements for hedge accounting for financial statement purposes. Therefore, the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in current operations as gains or losses as the exchange rates change.

A summary of these contracts follows (in millions):

<u>Contracting party</u>	<u>Buying position</u>	<u>Selling position</u>	<u>Contract foreign exchange rate</u>	<u>Maturity date</u>
HSBC	US\$ 600	(Won) 673,480	3M Libor 2.85 3.60%	March 4, 2005 - December 11, 2005

As of December 31, 2004, unrealized losses of (Won)54,107 million were charged to current operations as these contracts did not meet the requirements for hedge accounting for financial statement purposes.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****14. Capital Stock**

On March 19, 2004, at their Annual General Meeting, the stockholders approved an increase in the authorized shares from 200 million to 400 million, and a stock split on a 2:1 basis effective May 25, 2004. The number of issued common shares as of December 31, 2004, is 325,315,700 (2003: 290,000,000).

In July 2004, pursuant to Securities Registration Statement filed on July 16, 2004 with the Korea Stock Exchange, the Company sold 8,640,000 shares of common stock for gross proceeds of (Won)298,080 million. Concurrently, pursuant to a Form F-1 registration statement filed on July 15, 2004 with the U.S. Securities and Exchange Commission, the Company sold 24,960,000 shares of common stock in the form of American Depositary Shares (ADSs) for gross proceeds of US\$748,800 thousand. In September 2004, pursuant to underwriting agreement dated July 15, 2004, the Company sold an additional 1,715,700 shares of common stock in the form of ADSs for gross proceeds of US\$51,471 thousand. The Company intends to use the proceeds from these sales to fund the capital expenditures associated with the construction of its seventh generation TFT-LCD fabrication plant (P7) and other LCD facility in Korea.

Issuances and other movements in common stock in the years ended December 31, 2004 and 2003 are as follows:

(in millions of Korean won)

<u>Date of Issuance</u>	<u>Type</u>	<u>Par Value</u>	<u>Additional Paid-in Capital</u>
January 1, 2003	Beginning balance	(Won) 1,450,000	(Won)
January 1, 2004	Beginning balance	1,450,000	
July 22, 2004	Issuance of common stock	168,000	1,001,833
September 7, 2004	Issuance of common stock	8,579	50,721
	Stock issuance cost		(40,283)
		<u>(Won) 1,626,579</u>	<u>(Won) 1,012,271</u>
Balance as of December 31, 2004			

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****15. Retained Earnings**

Retained earnings as of December 31, 2004 and 2003 are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Legal reserve	(Won) 60,086	(Won) 60,086
Reserve for business rationalization	68,251	68,251
Unappropriated retained earnings	2,963,337	1,307,892
	(Won) 3,091,674	(Won) 1,436,229

The Commercial Code of the Republic of Korea requires the Company to appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for the payment of cash dividends, but may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

Pursuant to the Tax Exemption and Reduction Control Law, the Company is required to appropriate, as a reserve for business rationalization, a portion of retained earnings equal to tax reductions arising from investment and other tax credits. This reserve was not available for dividends until December 11, 2002 when the related law was abolished, and this may be transferred to capital stock through an appropriate resolution by the Company's Board of Directors or used to reduce accumulated deficit, if any, with the ratification of the Company's majority shareholders.

The Company's accumulated deficit amounting to (Won)99,819 million was offset against the reserve for business rationalization in accordance with the approval from the shareholders during a meeting in March 2002.

16. Capital Adjustments

Capital adjustments as of December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Foreign currency translation gain (loss) on the affiliates	(Won) (13,169)	(Won) 75

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Gain on valuation of derivative instruments	<u>55,287</u>	<u>7,728</u>
	<u>(Won) 42,118</u>	<u>(Won) 7,803</u>

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****17. Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Current income taxes	(Won) 85,838	(Won) 40,237
Deferred income taxes	(58,216)	(49,606)
Income tax expense (benefit)	(Won) 27,622	(Won) (9,369)

The income tax effect of temporary differences, including available net operating loss carry-forwards and tax credits, comprising the deferred income tax assets and liabilities as of December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Inventories	(Won) 7,564	(Won) 4,538
Investments	(1,463)	2,900
Accounts receivable		1,892
Other current assets	(2,158)	702
Property, plant and equipment	24,631	10,934
Warranty liabilities	2,619	2,660
Others	4,157	(1,178)
Tax credit carry-forward	137,828	92,514
	(Won) 173,178	(Won) 114,962

Available tax credits as of December 31, 2004, amounted to (Won)153,142 million. Tax credits can be carried forward up to four or five years under the Corporate Income Tax Law in Korea.

As of December 31, 2004, the Company's management concluded that (Won)54,708 million of gain on valuation of investments using the equity method of accounting would not realize within the predictable future period. Accordingly, the Company did not recognize the income tax effect.

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

The reconciliations from income before income taxes to income for tax purposes for the years ended December 31, 2004 and 2003, are as follows:

<i>(in millions of Korean won)</i>	2004	2003
Income before income taxes	(Won) 1,683,067	(Won) 1,009,731
Loss on valuation of inventories	17,658	(2,835)
Equity method investments	(84,703)	24,577
Allowance for doubtful accounts		8,457
Translation on adjustment debit or credit	10,745	1,220
Depreciation	36,285	18,382
Other current assets	(18,880)	15,889
Others	16,782	15,903
Net operating loss carry-forward		(163,773)
Taxable income	(Won) 1,660,954	(Won) 927,551

The statutory income tax rate, including resident tax surcharges, applicable to the Company was approximately 29.7% in 2004 and 2003, and was amended to 27.5% effective for fiscal years beginning January 1, 2005, in accordance with Corporate Income Tax Law enacted in December 2004.

Under the Foreign Investment Promotion Act of Korea, from September 1999, the Company is entitled to an exemption from income taxes in proportion to the percentage of foreign equity for seven years following the registration of each foreign equity investment, and at one-half of that percentage for the subsequent three years.

The effective income tax rates applicable to the Company differs from the statutory income tax rate due to temporary differences in recognizing certain income and expenses for financial reporting and income tax purposes, and the tax exemption under the Foreign Investment Promotion Act of Korea. The effective tax rates of the Company for the year ended December 31, 2004, is 1.64% (2003: negative 0.93%).

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

18. Earnings Per Share

Earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year. Ordinary income per share is computed by dividing ordinary income allocated to common stock, which is net income allocated to common stock as adjusted by extraordinary gains or losses, net of related income taxes, by the weighted-average number of common shares outstanding during the year.

Earnings per share for the years ended December 31, 2004 and 2003 are calculated as follows:

<i>(in millions of Korean won, except for per share amount)</i>	2004	2003
Net income as reported on the income statements	(Won) 1,655,445	(Won) 1,019,100
Weighted-average number of common shares outstanding	305,453,440	290,000,000
Earnings per share	(Won) 5,420	(Won) 3,514

Earnings per share for the year ended December 31, 2003, retroactively reflected the effect of the stock split (see Note 14).

The number of common shares outstanding for the year ended December 31, 2003, is not changed, except for retroactively reflected the effect of the stock split, and weighted-average number of common shares outstanding for the year ended December 31, 2004 is calculated as follows:

	Number of Shares	Number of Days Outstanding	Weighted Number of Shares
Beginning number of common shares outstanding	290,000,000	365	105,850,000,000
Issuance of common stock for cash	33,600,000	162	5,443,200,000
Issuance of common stock for cash	1,715,700	115	197,305,500
	325,315,700		111,490,505,500

Weighted average number of common shares outstanding :

$$111,490,505,500 \div 365 = 305,453,440$$

Table of Contents**LG. Philips LCD Co., Ltd.****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****19. Transactions with Related Parties**

Significant transactions which occurred in the normal course of business with related companies for years ended December 31, 2004 and 2003, and the related account balances outstanding as of December 31, 2004 and 2003, are summarized as follows:

<i>(in millions of Korean won)</i>	<u>Sales¹</u>	<u>Purchases¹</u>	<u>Receivables</u>	<u>Payables</u>
LG Electronics Inc.	(Won) 569,235	(Won) 149,466	(Won) 97,614	(Won) 29,799
LG Construction		828,844		351,093
LG Chem Ltd.		398,433		33,393
LG Philips LCD America, Inc.	712,782	17	66,362	
LG Philips LCD Taiwan Co., Ltd.	1,378,543	13	25,598	
LG Philips LCD Japan Co., Ltd.	886,785		28,232	
LG Philips LCD Germany GmbH.	962,702	9	106,693	
LG Philips LCD Nanjing Co., Ltd.	1,731,962	1,260	147,325	217
LG Philips LCD Shanghai Co., Ltd.	778,449		73,203	
LG Philips LCD Hong Kong Co., Ltd.	614,959		25,618	
LG International Japan Co., Ltd.		1,431,260		144,030
LG International HK Co., Ltd.	49,464	11	7,196	
LG International America Co., Ltd.		168,565		12,328
LG International Singapore Co., Ltd.	51,174	1		
LG International Deutschland GmbH		52,569		5,337
LG MRO Co., Ltd.		67,977		13,484
LG Micon Ltd.		89,675		36,702
LG CNS		64,013		3,985
Philips	2,395	52,265	2,377	4,744
Others	63,455	148,810	29,752	34,406
2004 Total	(Won) 7,801,905	(Won) 3,453,188	(Won) 609,970	(Won) 669,518
2003 Total	(Won) 5,683,305	(Won) 2,138,351	(Won) 1,041,156	(Won) 797,770

¹ Includes sales and purchases of property, plant and equipment.

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LG. Philips LCD Co., Ltd.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

20. Value Added Information

Value added information for the years ended December 31, 2004 and 2003, consist of the following:

<i>(in millions of Korean won)</i>	2004				
	Cost of sales	Selling and administrative expenses	Research and development expense	Construction-in-progress	Total
Salaries and wages	(Won) 301,676	(Won) 37,955	(Won) 17,259	(Won) 34,404	(Won) 391,294
Severance benefits	24,023	3,472	1,598	3,472	32,565
Employee fringe benefits	59,109	5,222	2,679	2,270	69,280
Rent	1,670	1,435	402		3,507
Depreciation	1,235,532	5,307	7,685	2,611	1,251,135
Taxes and dues	3,870	1,527	151	105	5,653
	<u>(Won) 1,625,880</u>	<u>(Won) 54,918</u>	<u>(Won) 29,774</u>	<u>(Won) 42,862</u>	<u>(Won) 1,753,434</u>

<i>(in millions of Korean won)</i>	2003				
	Cost of sales	Selling and administrative expenses	Research and development expense	Construction-in-progress	Total
Salaries and wages	(Won) 219,008	(Won) 39,347	(Won) 12,010	(Won) 11,530	(Won) 281,895
Severance benefits					